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JAPANESE STUDY OF CAPITAL CONSTRUCTION AND
INDUSTRIAL AND AGRICULTURAL PRODUCTION IN NORTHEAST CHINA

[Comment and Summary: This report presents information on industrial and agricultural production and capital construction in the Northeast, covering the period 1943-1952, as taken from the Japanese-language monograph, Manshu ni Okeru Konogyo Seisan to Kihon Kensetsu (Industrial and Agricultural Production and Capital Construction in the Northeast), published 30 January 1953 by the World Economic Research Association.

According to the monograph, the total agricultural production of the Northeast in 1952 exceeded the production of 1943, the year in which the highest production was attained in the past, by 48.2 percent. No data are given for the amount of industrial raw materials produced in any year, however, the production of foodstuffs in 1951 is reported as 17,090,000 tons, compared with 18,170,000 tons produced in 1943. The 1952 plan called for the production of 20 million tons of foodstuffs.

Industrial products produced by public-operated and privately-operated plants in 1951 exceeded 1949 production by 50 and 122 percent, respectively.

Of industrial products produced in 1949 in the Northeast, 38.3 percent was consumer goods and 61.7 percent was producer goods. The 1952 plan called for the production of 32.5 percent consumer goods and 67.5 percent producer goods.

The percentage of industrial products and agricultural products in 1949 was 35 and 65 percent, respectively. In 1952, the percentage was 55.9 percent for industrial products and 44.1 percent for agricultural products.

Capital construction in the Northeast in 1952 consisted mostly of new construction. Also, most of the capital construction was devoted to the development of industry. In 1949, new construction, including improvements and expansion, was 25 percent and restoration was 75 percent of the total; in 1951, the percentage was 80 for new construction and 20 for restoration. The 1952 plan called for 90 percent new construction and 10 percent restoration.]

PREFACE OF MONOGRAPH

Communist China began economic construction of China proper in 1953 under a 5-year plan. The successful completion of this economic construction, however, depends largely on the success of similar projects in progress in the Northeast since 1952. What is the present condition of the Northeast economy, which is the basis for the industrialization of other parts of China? What is the degree of recovery of the industries in the Northeast? What are the current industrial and agricultural production capacities of the Northeast? The purpose of this monograph is to present various information and data on the condition of current industrial and agricultural production capacities and of capital construction in the Northeast, in order to answer some of these questions.

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In this monograph, figures in parentheses were calculated by the researchers of World Economic Research Association; figures not in parentheses are from the original Chinese sources.

The principal sources used in this monograph are as follows:

1. Lin Feng's August 1949 Report -- the report made by Lin Feng, chairman of the former Northeast Administrative Committee, on 21 August 1949 at the Northeast People's Representatives' Conference in Mukden.
2. Kao Kang's March 1950 Report -- the report entitled "At the Beginning of the Economic Construction Program in the Northeast," made by Kao Kang, chairman of the Northeast People's Government, on 13 March 1950 at the First Representatives' Conference of the Northeast Bureau of the Chinese Communist Party.
3. Kao Kang's February 1951 Report -- the report entitled "Strengthening of National Defense and Expanding of National Economy," made by Kao Kang on 27 February 1951 at the Third Conference of the Northeast People's Government Council.
4. The 1951 Official Report -- the official report entitled "Report on the Implementation of 1951 People's Economic Production Plans for the Northeast," published by the People's Economic Planning Committee of the Northeast People's Government, 10 April 1952.
5. Kao Kang's May 1952 Report -- the report entitled "Strive for the Development of Patriotic Competitive Production Movements, the Completion of National Industrial Production Plans, and the Increasing of National Wealth by Eight Million Tons of Foods Through Increased Production and Austerity," made by Kao Kang on 7 May 1952 at a conference attended by cadres from the top-level organizations of the Northeast and by cadres from the factories and mines of the provinces and cities of the Northeast.
6. Kao Kang's October 1952 Report -- the report entitled "At the Threshold of a new era, Economic Construction," made by Kao Kang on 1 October 1952 at the celebration of National Day.

I. THE NORTHEAST, THE CRADLE OF INDUSTRIALIZATION OF COMMUNIST CHINA

The Northeast, which occupies only about 10 percent of the total area of China and contains only about one tenth of the total population of Communist China, has the largest segment of the national wealth and the highest industrial productive capacity of all the areas of Communist China. The industrial productive capacity of the Northeast, especially, is playing an important role in the Chinese economy, as shown in the following table, which lists the percentage of the Northeast's industrial production in 1943, compared with the total industrial production of China:

	Produced by the Northeast (%)	Produced by Other Parts of China (%)
Pig iron	87	13
Steel	93	7
Coal	49	51
Electric power	78	22

Note: Data taken from Kao Kang's March 1950 Report

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Kao Kang's March 1950 Report gave two reasons for the attainment of this higher ratio of industrial production in the Northeast, compared with the rest of China. One reason was that, while industrial production in China proper attained its peak in 1936 and declined thereafter, the highest industrial production in the Northeast was attained in 1943. The second reason was that, in 1943, after 6 years of intensive industrial development by the Japanese, 56 percent of all the industrial plants in the Northeast were modern, compared with only 10 percent for China proper.

Kao Kang's March 1950 Report emphasized the importance of the Northeast as follows:

"Chairman Mao Tse-tung, the Central Committee of the Chinese Communist Party, and all the people in the rest of China are paying special attention to the recovery and the development of Northeast industrial production capacity and are depending on the people of the Northeast to set up a sound economy there, so that it can become the cradle of industrialization of all China."

The transition from the restoration period to the construction period began in the Northeast a year earlier than in other parts of China. This earlier start may have resulted from the fact that this area was liberated one year before the rest of China, but the principal reason is that the restoration of industrial plants in the Northeast was easier and more fruitful than the restoration of industrial plants in the other parts of China.

II. AGRICULTURE IN THE NORTHEAST

At the Northeast People's Representatives' Conference, called by the Northeast Administrative Committee in August 1949 to establish the Northeast People's Government, Lin Feng, who became the deputy chairman of the newly established government, reported that he hoped by 1952 to raise the annual agricultural and industrial production of the Northeast to the level of 1943. By 1949, the agricultural production of the Northeast rose to about 75 percent of the 1943 level; by 1951 it rose to about the level of 1943. In 1952, agricultural production exceeded 1943 production by more than 20 percent. (According to Kao Kang's October 1952 Report, the 1952 agricultural production plan which called for increasing 1943 production by 48.2 percent, was expected to be completed as planned.)

The successful fulfillment of agricultural production plans for 1949 through 1952 was made possible by the completion of the land-reform program in the Northeast. The land-reform program in the Northeast was begun in July 1946; by the spring of 1948, it was completed in the northern part of the Northeast, and by early 1949, in the southern part of the Northeast.

The reduction of taxes in kind also helped to fulfill the annual agricultural production goals from 1949 to 1952. According to Kao Kang's March 1950 Report, the amount of taxes in kind collected in the Northeast in 1949 totaled only 2,300,000 tons, compared with 8 million tons collected annually during the period of the Manchukuo Government. The amount of taxes in kind collected in 1949 was 20 percent of the total food production for that year compared with 23 percent of the total food production in 1948. This source further stated that the increase in the exchange rate of 1.4 bolts of fabrics per ton of grain in 1948 to 2.8 bolts of fabrics per ton of grain in 1949 has also encouraged the farmers to produce more since 1949.

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The outbreak of the Korean war in June 1950 and the participation of Chinese troops in October 1950 led to the Resist-America Aid-Korea campaign throughout Communist China. To support this campaign, the various local governments in the Northeast began movements to increase agricultural production. The movements included strengthening the mutual aid program among farmers, increasing the productivity of farm laborers; improving farming techniques, and expanding farm land by means of water conservation and establishment of forest belts. The results of these movements were reported in the 1951 Official Report as follows:

1. In 1951, the number of mutual aid teams in the Northeast was 456,109, and the number of farms which joined the cooperatives was 2,188,645 or 32.9 percent of the total farms in the Northeast.

2. The amount of farm equipment, insecticides, fertilizer, etc., supplied by the government to the farmers rose in 1951 to 173 horse-drawn plows, 2,798 western-type plows, 5,200 cultivators, 1,495 tons of various types of insecticides, 17,000 tons of ammonia, and 212,000 tons of soybean wastes.

3. The total area of forest belts was 114,729 hectares.

Only 98 percent of the 1951 agricultural production plan was fulfilled but this output exceeded the 1950 production by 3.3 percent. The principal reason for the poor showing of the 1951 agricultural production, according to the 1951 Official Report, was the decline in yield of foodstuffs caused by natural disasters. To overcome some of the problems which contributed to the drop in agricultural production in 1951, the Northeast Agricultural Production Conference was convened 1-15 November 1951. This conference adopted the following recommendations:

Improve the condition of soil through application of large amounts of fertilizer; promote wider use of better-grade seeds; promote wider use of modern farm equipment; strengthen pest and insect controls; and encourage scientific experiments on farming.

The following table shows the planned and actual agricultural production of the Northeast, 1949-1952, using 1943 as 100.

Year	
1943 (actual)	100.0
1949 (actual)	67.0
1950a (plan)	(91.8)
1950b (plan)	93.0
1950c (actual)	(90.5)
1951 (actual)	(99.6)
1952a (plan)	(120.2)
1952b (actual)	148.2

Notes: 1. The 1949 and 1950b figures are taken from Kao Kang's March 1950 Report.

2. The 1950a figure was calculated from the data in Kao Kang's March 1950 Report, which stated that "the plan for 1950 calls for increasing the 1949 production by 37 percent."

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3. The 1950c figure was calculated from the data in Kao Kang's February 1951 Report, which stated that "1950 production exceeded 1949 production by 44.1 percent."
4. The 1951 figure was calculated from the data in the 1951 Official Report, which stated that "1951 production exceeded 1950 production by 3.3 percent."
5. The 1952a figure was calculated from the data in Kao Kang's May 1952 Report, which stated that "the plan for 1952 calls for increasing the 1951 production by 20.6 percent over 1951 production."
6. The 1952b figure is copied from Kao Kang's October 1952 Report.

The primary requirement for increasing agricultural production is an increase in farm acreage. Until 1949, however, emphasis was on the implementation of mutual aid cooperative farming rather than on increasing farm acreage in the Northeast. Acreage of farms engaged in producing industrial raw materials, however, increased annually even before 1949, since the increasing demands for these materials each year could not be completely met merely by intensive farming.

The following table shows the total acreage of farm land in the Northeast:

<u>Year</u>	<u>Acreage (ha)</u>
1943 (actual)	17,800,000
1946 (actual)	13,140,000
1949 (actual)	(15,480,000)
1950a (plan)	17,200,000
1950b (actual)	(16,340,000)

- Notes:
1. The 1943 and 1946 figures are taken from an article by Chang Ch'ing-t'ai in the Jen-min Jih-pao, 28 November 1951.
 2. The 1950a figure is taken from Kao Kang's March 1950 Report.
 3. The 1949 and 1950b figures were calculated from the data in an article in the Tung-pei Jih-pao, 16 February 1951, which stated that "acreage for the farming of industrial raw materials in 1949 was 236,796 hectares or 1.53 percent of the total farm acreage in the Northeast; in 1950, it was 578,317 hectares or 3.54 percent of the total farm acreage."

The following table shows the farm acreage of industrial raw materials in the Northeast in 1949 and 1950:

<u>Year</u>	<u>Acreage (ha)</u>
1949 (actual)	236,796
1950 (actual)	578,317

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The following table shows the percentage increase of soybean farming in the Northeast during 1950-1951, using 1949 as 100:

<u>Year</u>	<u>Percent</u>
1949 (actual)	100.0
1950 (actual)	128.17
1951 (actual)	(136.46)

- Notes: 1. The 1949 and 1950 figures are taken from an article by Chang Ch'ing-t'ai in the Jen-min Jih-pao, 28 November 1951.
2. The 1951 figure was calculated from the data in the same article, which stated that 1951 acreage of soybean farming in the Northeast exceeded the 1950 acreage by 6.47 percent."

The following table shows the increase of cotton farming in the Northeast during 1949-1951, taking 1949 as 100:

<u>Year</u>	<u>Percent</u>
1949 (actual)	100.0
1950a (plan)	(207.1)
1950b (actual)	197.1
1951a (plan)	(375.0)
1951b (actual)	(378.6)

- Notes: 1. The 1950a figure is taken from Kao Kan's March 1950 Report.
2. The 1950b figure is taken from an article by Chang Ch'ing-t'ai in the Jen-min Jih-pao, 28 November 1951.
3. The 1951b figure was calculated from the data in an article by Chang Ch'ing-t'ai in the Jen-min Jih-pao 28 November 1951, which stated that "the acreage of cotton farming in 1951 exceeded the 1950 acreage by 91.5 percent."
4. The 1949 figure was calculated from the data in the article by Chang Ch'ing-t'ai in the Jen-min Jih-pao, 28 November 1951, which stated that "the acreage of cotton farming in 1950 exceeded the 1949 acreage by 97.3 percent."
5. The 1951a figure was calculated from the 1949 and 1950 figures (See Note 4).

The average per-hectare yield of farm products in the Northeast in 1950 reached 2,400 catties, well over the 1943 level. During 1951, the average was to be increased over the 1950 average by 6-7 percent. The quick recovery of per-hectare yield in the Northeast was attained principally through the implementation of mutual aid cooperatives and the application of results achieved in the experimental agricultural stations and the state farms. According to a Hsin-hua She dispatch from Peiping, dated 5 November 1952, the average yield per mou or land at the experimental agricultural stations and the state farms has increased from 296 catties in 1951 to 350-400 catties in 1952.

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The following table shows the actual and planned per-hectare yield in the Northeast during 1946-1951, compared with that of 1943:

<u>Year</u>	<u>Yield (catties per ha)</u>
1943 (actual)	(2,117)
1946 (actual)	1,615
1950 (actual)	2,412
1951 (plan)	(2,557-2,311)

- Notes: 1. The 1943, 1946, and 1950 figures were taken from an article by Chang Ch'ing-t'ai in the Jen-min Jih-pao, 26 November 1951.
2. The 1943 figure was calculated from the data in the same article, which stated that the 1950 yield exceeded the 1943 yield by 13.93 percent.
3. The 1951 figure was calculated from the data in Kao Kan's February 1951 Report which stated that "the 1951 plan calls for increasing the 1950 per-hectare yield by 5 or 7 percent."

In addition to improving farming methods, the Northeast People's Government has been developing protective forest belts in the western part of the Northeast since the spring of 1951. According to the Tung-pei Jih-pao of 20 August 1951, about 8,000,000 hectares of farm land (50 percent of the total farmland in the Northeast) can be protected by these protective forest belts from the southwesterly wind from the Jehol area and the northwesterly wind from Outer Mongolia. The 1951 Official Report states that in the development of these forest belts, which will be completed in 1952, 266 nurseries have been established.

Production of agricultural foodstuffs in the Northeast reached 12 million tons in 1950, about the same level as 1943 production, as shown in the following table:

<u>Year</u>	<u>Amount (tons)</u>
1943 (actual)	(12,100,000)
1949 (actual)	13,200,000
1950 (actual)	16,020,000
1951a (plan)	19,000,000
1951b (actual)	17,090,000
1952 (plan)	20,000,000

- Notes: 1. The 1949 and 1950 figures are taken from the Tung-pei Jih-pao, 19 February 1951.
2. The 1951a figure is copied from Kao Kan's February 1951 Report.
3. The 1951b figure is copied from the 1951 Official Report.
4. The 1952 figure is copied from Kao Kan's May 1952 Report.

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5. The 1950 figure was calculated from the data in an editorial in the Tung-pei Jih-pao, 19 February 1951, which stated that "1950 production was 99.8 percent of 1943 production."

III. INDUSTRY IN THE NORTHEAST

In March 1949, the economic construction policy of the Central Committee of the Chinese Communist Party shifted emphasis from the development of rural areas to the development of urban areas. In the Northeast, however, the development of urban areas was started as early as 1948. In August 1949, Lin Feng reported that "those liberated in 1947 and 1948 were mainly rural areas with few industries; however, since the liberation of the entire Northeast in the autumn of 1948, the development in the Northeast has turned from agriculture to industry, and from rural to urban areas."

In January 1949, a plan called the Restoration of Industrial Production was adopted in the Northeast. With regard to this plan, Lin Feng's August 1949 Report stated that "in the restoration of industrial production of the Northeast in 1950, emphasis will be placed on iron and steel, electric power, machinery, and chemical products, so that, within the next 3 years, the output of these products will be brought up to the level of 1943 production."

Industrial production of public-operated plants in the Northeast, which in 1949 was only 29 percent of 1943 production, rose in 1952 to 10 percent over 1943 production. (The Chiang-chi Tao-pao, 6 December 1949, reported that the percentage of public operated and privately operated plants in the Northeast in 1949 was 87.5 and 12.5 percent, respectively. Kao Kang's October 1952 Report stated that the percentage was 81.5 for the public-operated plants and 18.5 for the privately-operated plants. The article entitled "Capital Construction," which appeared in the Hsin-hua Yueh-pao, August 1952, stated that the percentage in 1951 was 78.3 for the public-operated plants and 21.7 percent for the privately-operated plants.)

The following table shows the production increase of the public-operated and state-operated plants in the Northeast, 1949-1952, using 1943 as 100:

<u>Year</u>	<u>Percent</u>
1943 (actual)	100.0
1949 (actual)	29.0
1950a (plan)	7.0
1950b (actual)	(63.7)
1951 (actual)	(79.1)
1952 (plan)	(112.1)

- Notes: 1. The 1949 and 1950a figures are taken from Kao Kang's March 1950 Report.
2. The 1950b figure was calculated from the data in Kao Kang's February 1951 Report, which stated that "1950 production exceeded 1949 production by 17.3 percent" [sic; the figure 17.3 is apparently a typographical error in the monograph].
3. The 1951 figure was calculated from the data in the 1951 Official Report, which stated that "1951 production exceeded the 1950 production by 24.1 percent."

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4. The 1952 figure was calculated from the data in Kao Kang's May 1952 Report, which stated that "1952 production plan calls for increasing the 1951 production by 41.5 percent.

The similar production increase made by the public and state-operated industrial plants was also attained by the privately-operated plants. The following table shows the production increase of the privately-operated industrial plants in the Northeast:

<u>Year</u>	<u>Percent</u>
1949 (actual)	100.0
1950 (actual)	142.4
1951 (actual)	205.1
1952 Jan-Jun (actual)	(222.7)

- Notes: 1. Data taken from a Hsin-hua She dispatch from Mukden, dated 20 September 1952, which appeared in a September issue of the Hong Kong Ta Kung Pao.
2. The 1952 figure was calculated from the data in the same news dispatch, which stated that "production of the first half of 1952 was 8.6 percent over the production during the same period of 1951."

According to Kao Kang's March 1950 Report, the 1950 production plan, compared with the 1949 actual production, was as follows:

<u>Products</u>	<u>1949 (actual)</u>	<u>1950 (plan)</u>
Pig iron	172,000 tons	720,000 tons
Steel ingots	100,000 tons	540,000 tons
Steel materials	72,000 tons	340,000 tons
Electrolytic copper	1,874 tons	4,000 tons
Electrolytic lead	2,002 tons	4,000 tons
Coal	11,000,000 tons	17,000,000 tons
Electricity	1,400,000,000 kw	2,000,000,000 kw
Electric motors	1,109 units	6,800 units
Machine tools	497 units	3,300 units
Paper	22,800 tons	50,000 tons
Cement	218,000 tons	430,000 tons
Cloth	2,450,000 bolts	5,700,000 bolts
Yarns	120,000 skeins	235,000 skeins

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The output of the public-operated industrial plants in 1949 was made up of 38.3 percent consumer goods and 61.7 percent producer goods; in 1952, it was 32.5 percent consumer goods and 67.5 percent producer goods. (According to Kao Kang's March 1950 Report, the industrial output of the Northeast in 1949 was made up of 26 percent consumer goods and 74 percent producer goods.) The following table shows the production of consumer goods and producer goods by the public-operated industrial plants in the Northeast between 1949 and 1952:

<u>Year</u>	<u>Consumer goods (%)</u>	<u>Producer goods (%)</u>
1949 (actual)	38.3	61.7
1950a (plan)	21.0	79.0
1950b (actual)	30.0	70.0
1951 (actual)	34.7	65.3
1952 (plan)	32.5	67.5

- Notes: 1. The 1949 figure is taken from an October 1952 issue of the Tung-pei Jih-pao.
2. The 1950a figure is taken from Kao Kang's March 1950 Report.
3. The 1950b figure is taken from Kao Kang's February 1951 Report.
4. The 1951 and 1952 figures are copied from Kao Kang's May 1952 Report.

The 1950b figure in the above table gives only the output of the state-operated industrial plants. The inclusion of the production of the public-operated industrial plants would lower the percentage of producer goods to 60-65, and raise consumer goods to 35-40 percent, instead of 77 percent and 23 percent, respectively.

As to the remainder of Communist China, Kao Kang's October 1952 Report stated that the production of consumer goods and producer goods in 1949 was 67.5 percent and 32.5 percent, respectively. By 1952, the production of producer goods increased to 43.8 percent, but compared with the 67.5 percent for the Northeast, it was still very low.

According to Kao Kang's March 1950 Report, the number of state-operated industrial plants in the Northeast in April 1949 totaled 191; the number increased to 243 in September 1949 and to 307 in December 1949. The following table shows the production increase in the state-operated industrial plants in the Northeast, with 1949 as the base year:

<u>Year</u>	<u>Percent</u>
1949 (actual)	100.0
1950 (actual)	135.0
1951a (actual)	(159.3)
1951b (actual)	(172.8)
1952 (plan)	(229.8)

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- Notes:
1. The 1949 and 1950 figures are taken from the Hong Kong Ta Kung Pao, 22 September 1952.
 2. The 1951a figure was calculated from the data in Kao Kang's February 1951 Report, which stated that "1951 production exceeded the 1950 production by 18 percent."
 3. The 1951b figure was calculated from the data in the 1951 Official Report, which stated that "1951 production exceeded the 1950 production by 28 percent."
 4. The 1952 figure was calculated from the data in Kao Kang's May 1952 Report, which stated that "1952 plan calls for an increase over the 1951 production by 33 percent."

Production of machinery in the Northeast has always been very low, even under the Manchukuo Government. As a result, the expansion of the machinery industry was the foremost concern of the Northeast People's Government. According to a Hsin-hua She dispatch from Mukden, dated 20 September 1952, reprinted in the Hong Kong Ta Kung Pao of 22 September 1952, the production of machinery in the northeast has increased from 6.5 percent of the total industrial production in the Northeast in 1943 to 12.5 percent of the total industrial production in 1952. An October 1952 issue of the Tung-pei Jih-pao stated that if the 1952 production plan of the machinery industry in the Northeast is fulfilled, the 1952 machinery output will be 6.2 times the total production of 1949.

The various machinery factories in the Northeast are not only increasing their outputs but are manufacturing new types of machinery, which heretofore had to be imported.

IV. INDUSTRIAL AND AGRICULTURAL PRODUCTION

The industrial and agricultural production of 1952 was 2.5 times the total 1949 production and 24.8 percent over the total 1943 production. According to Kao Kang's October 1952 Report, the highest industrial and agricultural production in the Northeast in the past was attained during 1943, and about the same amount as the 1943 production was produced in 1951. The 1952 production exceeded 1943 production by 25 percent.

The following table shows total industrial and agricultural production in 1950, 1951, and 1952, compared with 1949 production:

<u>Year</u>	<u>Percent</u>
1949 (actual)	100.0
1950 (actual)	162.0
1951 (actual)	190.3
1952 (actual)	246.7

Note: Data taken from an October 1952 issue of the Tung-pei Jih-pao.

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The following table shows total industrial and agricultural production in 1952, compared with 1943 production:

<u>Year</u>	<u>Percent</u>
1943 (actual)	100.0
1952 (plan)	124.8

Note: Data taken from Kao Kang's February 1952 Report

Production of industrial products reached 55.9 percent of total industrial and agricultural production in 1952, which was about the same level as 1943 production of industrial products. The following table shows the production of industrial products and agricultural products for 1943, and 1949-1952:

<u>Year</u>	<u>Industrial Products (%)</u>	<u>Agricultural Products (%)</u>
1943 (actual)	56.0	44.0
1949 (actual)	35.0	65.0
1950 (actual)	43.0	57.0
1951 (actual)	52.6	47.4
1952 (actual)	55.9	44.1

- Notes: 1. The 1943, 1949, and 1950 figures are from Kao Kang's March 1950 Report.
2. The 1951 figure is from Kao Kang's May 1952 Report.
3. The 1952 figure is from Kao Kang's October 1952 Report.

V. CAPITAL CONSTRUCTION

According to the "Provisional Regulations Concerning Capital Construction" issued by the Government Administration Council on 9 January 1952, which appeared in the Hsin-hua Yueh-pao, February 1952, capital construction means "restoration, expansion or modernization, and new construction, and their accompanying operations for the purpose of expanding production capabilities of fixed assets."

Capital construction in the Northeast was begun in 1949. According to the "Summary of 1950 Capital Construction of the Department of Industry, Northeast People's Government," which appeared in the Hsin-hua Yueh-pao, March 1951, 40.3 percent of the total expenditures for capital construction in the Northeast in 1950 were expended for the improvement of plant installations; 34 percent for the reconstruction of plants or construction of new plants, workers' living quarters, and warehouses; and 5.7 percent for geological surveys, scientific experiments, and the improvement of educational facilities. The summary also stated that as a result of large allocation of funds for the improvement of existing plant installations, the production capacities of the various industries were increased by the following percentages over their 1949 capacities by the end of 1950: power plants, by 8.2 percent; pig iron, by 61.8 percent; steel ingots, by 54.9 percent; cement, by 31.8 percent; and cotton cloth, by 32.9 percent. The production of coal, which was 94.3 percent of the 1949 output, was the only one which failed to exceed the 1949 output in 1950.

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According to the 1951 Official Report, the 1951 capital construction plan was fulfilled by only 80.87 percent, but this was 41.37 percent more than construction completed during 1950.

Kao Kang's May 1952 Report made the following statements regarding capital construction: "The 1952 capital construction in the Northeast calls for an increase over that of 1951 by 125 percent. Of the total capital construction to be undertaken during 1952, about 80 percent will be devoted to the construction of heavy industry. Again, of the total capital construction to be undertaken during 1952, 29.6 percent will be for the restoration of damaged or destroyed industrial plants or installations, 40.4 percent for the expansion or modernization of existing industrial plants or installations, and 30 percent for the construction of new industrial plants or installations."

The result of the 1952 capital construction plan, outlined in the above statement, was reported in an October 1952 issue of the Tung-pei Jih-pao as follows:

"The production capacity of the various industries in the Northeast was increased in 1952 over the 1950 capacity as follows: power plants, 217.3 percent; coal, 143.0 percent; steel, 145 percent; pig iron, 192 percent; copper, 214 percent; cement, 167 percent; and cotton cloth, 139 percent."

Capital construction in the Northeast consists mainly of restoration, construction, development, and expansion of industry. According to the 1951 Official Report, of the total amount of funds allocated for capital construction during 1951, 62 percent was spent for industry, 16 percent for transportation, 9 percent for trade and finance, 7 percent for agriculture, and 6 percent for the other industries.

In 1949, new industrial construction was only 25 percent of the total capital construction, but was increased in 1952 to 90 percent of the total as shown in the following table:

<u>Year</u>	<u>New construction, Improvement, and Expansion (%)</u>	<u>Restoration (%)</u>
1949 (actual)	25	75
1950 (actual)	38	62
1951 (actual)	80	20
1952 (plan)	90	10

Note: Data taken from a Hsin-hua She dispatch from Mukden, dated 6 July 1952.

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